

## Message Text

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12

ACTION COME-00

INFO OCT-01 EA-07 IO-13 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

AGRE-00 /101 W

----- 096465

R 200909Z SEP 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 6816

INFO USDEL MTN GENEVA

LIMITED OFFICIAL USE JAKARTA 12314

E.O. 11652: NA

TAGS:ETRD, MTN, ID

SUBJECT: MTN NEGOTIATIONS: CLARIFICATION OF NTM REPORTED  
BY INDUSTRY ADVISORS

REF: STATE 206235

1. THERE IS PRESENTLY NO REPEAT NO LOCAL CONTENT REQUIREMENT FOR ROOM AIR CONDITIONERS ASSEMBLED IN INDONESIA. GOI IN FAVOR OF SUCH A REQUIREMENT AND CURRENTLY NEGOTIATING WITH ASSOC. FO ELECTRONIC AND ELECTRIC HOUSEHOLD APPLIANCES INDUSTRIES REGARDING MECHANICS OF IMPLEMENTATION OF SUCH A REQUIREMENT. ASSOCIATION ARGUES STRONGLY THAT INDONESIAN MANUFACTURERS NOT YET CAPABLE OF SUPPLYING MOST PARTS FOR AIR CONDITIONERS. INDUSTRY COURCE ESTIMATES GOI REGULATION ON LOCAL CONTENT FOR AIR CONDITIONERS AT LEAST TWO YEARS OFF.

2. FYI-AIR CONDITIONERS SOLD HERE FORMERLY CONSISTED OF THREE TYPES: COMPLETELY BUILT-UP (CBU); SEMI BUILT-UP (SBU); AND COMPLETLEY KNOCKED DOWN (CKD). ABOUT TWO YEARS AGO, A  
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BAN ON SBU UNITS WAS INTRODUCED. AT THE SAME TIME A

REQUIREMENT WAS SET FORTH STIPULATING THAT IMPORTED CKD UNITS MUST CONSIST OF NO FEWER THAN 70 PARTS. REASONS CITED FOR MINIMUM PARTS REQUIREMENT ARE TO EXPAND TAX BASE AND TO PROVIDE MORE EMPLOYMENT OPPORTUNITTIE THROUGH GREATER ASSEMBLY AT THIS END. IT IS ALSO SAID THAT REDUCING CATEGORIES FROM THREE TO TWO FACILITATES GOI'S ANTI-SMUGGLING EFFORTS. CONTRARY TO REFTEL INFORMATION, THEREI IS NOT, AND NEVER HAS BEEN, A BAN ON IMPORTATION OF CBU AIR CONDITIONERS. LATTER ARE SUBJECT TO HIGHER TAXES (60 PERCENT IMPORT DUTY, 20 PERCENT IMPORT SALES TAX) THAN CKD UNITS (30 PERCENT AND 10 PERCENT RESPECTIVELY PLUS 5 PERCENT SALES PRODUCTION TAX) BUT STILL CONSTITUTE AT LEAST 10 PERCENT OF LCOAL SALES, ACCORDING TO INDUSTRY SOURCES.

NEWSOM

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## Message Attributes

**Automatic Decaptioning:** X  
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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NEGOTIATIONS, TARIFF CLASSIFICATIONS  
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**Disposition Approved on Date:**  
**Disposition Authority:** saccheem  
**Disposition Case Number:** n/a  
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**Disposition Date:** 28 MAY 2004  
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**Film Number:** D760354-1093  
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